

# Exporting Building Products

## Finding Niche Markets for U.S. Producers

by Patrick MacAuley

*Forest Products and Building Materials Division, Trade Development*

In 2002, total exports of U.S. building products reached \$6.2 billion. This included a diverse range of products, including windows, faucets, lumber, insulation, and prefabricated buildings. Building products run the gamut of items such as ceramic fixtures and wood products to sheet roofing for commercial buildings and fasteners of all types.

Although the U.S. construction industry is much more international now than just a decade ago, most building product manufacturers do not export. For most firms that do export, domestic sales usually account for the majority of business. For the U.S. industries shown, the \$6.2 billion in exports represents less than 4 percent of shipments, leaving 96 percent to satisfy a portion of the domestic market.

During the past five years, the domestic construction market has been so strong and profitable that interest in exporting has waned. The relative strength of the dollar has limited export opportunities. Most companies realize that construction is a cyclical industry, and for the long term they need to maintain strong export markets. It appears that the dollar may finally be stabilizing so that American-made products may become more price-competitive.

Since U.S. building products tend to be relatively expensive on world markets, they usually need to be competitive

for some reason other than price, although price is always a major factor. For example, U.S. plumbing products are exported on the basis of design and quality. Insulation sales are largely due to the wide selection of U.S. products available.

### LEADING MARKETS

The two largest foreign markets for U.S. building products are Canada and Mexico, which together account for more than 50 percent of U.S. building product exports. These two countries were major trading partners even before the North American Free Trade Agreement was implemented, and they have steadily become more important export markets. All building products can now be exported to Canada duty-free. In the case of Mexico, most tariffs have already been eliminated because of NAFTA, and all remaining tariffs on building products will be phased out by 2008. Barriers such as building inspection delays and product certification difficulties have also been eliminated, giving U.S. businesses better protection in these two countries. For most U.S. companies looking to export, these markets should be among the first researched.

The European Union is a significant market area, where exclusive, high-quality American products are competitive. The union is in the process of expanding from 15 countries to 25, with a total population of 450 million. The European Union is not yet a seamless "common market" for building products, but it has been harmonizing

its product standards and certification procedures so that eventually products that are certified in one EU country will be certified for all 25 EU countries. In this respect it is worth noting that the United Kingdom is usually the most logical first step in exporting building products to the European Union. The U.K. market is not only one of the largest among EU countries, but it also has fewer obstacles to entry than most.

### U.S. Exports of Building Products

(by country, in millions)

1. Canada	\$2,406
2. Mexico	\$708
3. Japan	\$483
4. United Kingdom	\$222
5. China	\$190
6. Taiwan	\$185
7. Spain	\$141
8. Italy	\$132
9. South Korea	\$131
10. Hong Kong	\$126
11. Germany	\$113
12. France	\$80
13. Dominican Republic	\$63
14. Bahamas	\$60
15. Saudi Arabia	\$59
16. Australia	\$56
17. Other	\$1,011
<b>Total</b>	<b>\$6,166</b>



Japan has a large construction sector, and the best U.S. products tend to be competitive in both price and quality. Unfortunately, many U.S. products are not designed for the Japanese market, and even specially designed products need to be certified to meet standards. Another serious problem is the unique Japanese distribution system, which often is impenetrable for outsiders. Despite these obstacles to trade, Japan is the third-largest export market for U.S. building products.

China is one of the largest and fastest-growing construction markets in the world, and it has become the fifth-largest export market for building products. Exporting to China involves considerable risks, and U.S. companies should research very carefully before they enter this area. In order to help exporters in this tricky market, the International Trade Administration (ITA) has supported the Evergreen Building Products Association, which is open to U.S. building product companies that want to explore opportunities in China. The network of

support for exporters extends into China with five Commercial Service offices in the country, including Beijing and Shanghai.

#### GETTING STARTED

The first decision is whether to export at all. For most small and medium-sized manufacturers, it is usually easier to expand into underserved parts of the U.S. market than to venture abroad. These companies may occasionally make "passive exports," i.e., export sales from foreign buyers who find them via their Web sites or U.S. publications.

For companies that want to take a proactive approach to exporting, the U.S. Commerce Department has many services that can help exporters evaluate markets, make business contacts, finance export transactions, and understand foreign regulations. An ITA trade specialist for building products should be one of the first contacts when investigating overseas markets. This contact is to discuss the specific products and objectives of the

company, and the industry specialist will provide informed feedback. Companies exploring exporting can tap into the local resources of the U.S. Commercial Service for general export counseling. A complete listing of domestic Commercial Service offices is located on the back of this magazine and at [www.buyusa.gov](http://www.buyusa.gov).

#### FINDING AGENTS AND DISTRIBUTORS

If the company has completed the above steps and still wants to be a proactive exporter, it is usually recommended that building product companies use agents or distributors rather than trying to market and ship products abroad directly. The ITA has several programs to help companies find agents and distributors, all of which charge a fee for the service. If the company wants to take a global approach, the Commercial Service has a cost-effective publication, *U.S. Commercial News*, which will advertise a product line to 70,000 potential agents and distributors worldwide for \$495. Alternatively, if the company

wants to start with a few target markets, Commercial Service officers stationed abroad can try to find agents or distributors in selected countries.

The U.S. Commercial Service can provide assistance in evaluating the integrity and ability of agents and distributors, but the U.S. exporter must make the decision and live with the results. Dissatisfaction with agents or distributors is one of the most commonly cited problems in exporting, so these choices must be made carefully.

#### EXPANDING THE COMPANY'S EXPORT BUSINESS

Most of the ITA programs for exporters are designed to help them after they have started exporting, as part of a long-term commitment to American companies abroad. Expanding and maintaining an export business is a time-consuming process that requires specialized knowledge in addition to the skills needed in the domestic market. ITA counseling becomes much more specialized as the company becomes more experienced and tries more complicated markets. The International Trade Administration also is actively engaged in resolving market access issues in cases in which foreign officials appear to be imposing illegal barriers against the

U.S. exporter. Industry members can contribute their perspective by participating in the advisory committee network, which is overseen by the U.S. Commerce Department and the U.S. Trade Representative.

Although exporting may not be for everyone, most building product manufacturers should review the prospects of exporting on a periodic basis for developing opportunities and for emerging threats to domestic sales. Those companies that choose to be passive exporters should pay careful attention to their foreign sales, which may offer important clues about the global market for their products. Those companies that want to be active exporters need to remember the long lead times required to build up export capability, and to start building capability now rather than waiting until the domestic market softens. ■



## Resources for Exporters

### Forest Products and Building Materials Division

International Trade Administration

Tel: (202) 482-0132

Web site: [www.ita.doc.gov/td/forestprod](http://www.ita.doc.gov/td/forestprod)

### Trade Information Center

International Trade Administration

Tel: (800) USA-TRAD(E)

Web site: [www.export.gov/tic](http://www.export.gov/tic)

### Market Research

U.S. Commercial Service

International Trade Administration

Web site: [www.export.gov](http://www.export.gov)

### Engineering News-Record

Web site: [www.enr.com](http://www.enr.com)

## Major International Trade Fairs for Building Products

### International Building and Construction Trade Fair

May 23–26, 2003

Shanghai, China

### National Association of Home Builders (NAHB) International Housing Conference of the Americas

October 16–18, 2003

Mexico City

### BATIMAT International Building Exhibition

November 3–8, 2003

Paris, France

### NAHB International Builders Show

January 19–21, 2004

Las Vegas, Nev.